Via email: regcomments@ncua.gov

April 6, 2009

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments of the Wisconsin Credit Union League on ANPR for Part 704, Corporate Credit Unions

Dear Ms. Rupp:

The Wisconsin Credit Union League, serving 250 credit unions and over two million members, welcomes the opportunity to provide the following comments in response to the NCUA's ANPR on corporate credit unions. This time of unprecedented financial turmoil has revealed that changes in the corporate system are necessary, and there are wide-ranging opinions about what those changes should be. Our credit unions appreciate having a voice in the important decisions the NCUA board is about to make.

We begin with a general comment about the significant costs that natural person credit unions are bearing in connection with the NCUSIF's shoring up of the corporates. NPCUs understand why they are being called upon to make sacrifices in support of the industry, but they also strongly encourage the NCUA to continue to work with CUNA and others on legislative, regulatory, and other means to help mitigate as much as possible the impact of the costs of the Corporate Stabilization Program on NPCUs that have worked so hard to serve their members and to remain safe and sound in these difficult times.

The comments we wish to offer in response to the ANPR are these:

1. Many credit unions of all sizes rely on one or more corporates for payment systems, liquidity, settlement, investments, and other financial services. Although there are other places where credit unions might go for similar services, eliminating the corporates altogether would mean these credit unions would not have the option of choosing and using a service provider that knows, understands, and supports credit unions. For this reason, we believe it is important to maintain a corporate credit union tier.

That being said, there may be efficiencies and economies of scale to be gained by having fewer corporates. We believe, however, that the NCUA should not set the number but rather the NPCUs should decide through regular marketplace forces which corporates will survive.

2. If marketplace forces are to determine which corporates survive, then it follows that NPCUs must be able to choose which corporate(s) they will use – based on the services, liquidity solutions, and safe investment alternatives a corporate offers. Requiring every credit union to have paid-in-capital in any corporate it uses will mean two things: 1) that the credit union has looked carefully at the services offered by the corporate and the cost of those services and made the hard decisions about where it will do business; and 2) that every credit union doing business with a corporate has helped to capitalize it and has a stake in its continuation.

3. Corporate credit unions should continue to serve the investment needs of NPCUs that choose to use them for that purpose. Along with payment systems, settlement, and liquidity options, many NPCUs look to the corporates for investment expertise and vehicles. Again, though credit unions have others to whom they can go for investment services, many trust that their corporate credit unions will provide more appropriate and better service at a better price than they can find in the non-credit union marketplace.

We do have several suggestions regarding the regulation of corporate investment powers:

- To best serve NPCUs, corporates should be permitted to invest in ways that allow them to remain competitive against other providers and diversify for safety.
- To better manage the risk inherent in corporates' investing, NCUA should consider requiring concentration limits, independent evaluations of corporates' investment portfolios, and higher capital standards or risk-based capital standards/reserving. It also would be helpful for NCUA to establish the means to evaluate new investment types – independently, diligently and expertly – as they arise so that corporates can participate in new worthy investments but be directed away from those that present too much risk.
- Corporates that are approved for expanded investment authorities should be required to requalify periodically.

In closing, we urge the NCUA to take a measured approach to its corporate rule-making and to consider the effects of any rule change on successful corporates or on NPCUs of every size. The current market situation is not of the making of all the corporates, but the situation has exposed some shortcomings in the system as it exists today. The challenge for the entire industry as we look ahead is to figure out what was working, leaving that alone as much as possible, and what was not working and so needs to be fixed – but without limiting any more than necessary the ability of any corporate or natural person credit union to do business as it sees fit.

Sincerely,

Brett A. Thompson

Brett A. Thompson
President and CEO
The Wisconsin Credit Union League